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2015 Top Markets Report
Recreational Transportation

A Market Assessment Tool for U.S. Exporters

July 2015

U.S. Department of Commerce | International Trade Administration | **Industry & Analysis (I&A)**

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Executive Summary and Overview

The recreational transportation sector is perhaps the only labor-intensive sector of the U.S. economy that supports a positive trade balance. With growth projected into the future and burgeoning international demand for U.S. products, exports are expected to reach $10.3 billion in 2017, supporting 180,000 American jobs. This Top Markets Report provides a useful context in which to view global opportunities and compare various markets around the world.

The recreational transportation sector is composed of boat building, motorcycles, bicycles, recreational vehicles (RVs) and miscellaneous transportation (golf cars, snowmobiles and all-terrain vehicles or ATVs). The International Trade Administration (ITA) expects the sector to continue its healthy growth over the next three years, punctuated by expanding markets both at home and abroad.

The U.S. exports-to- shipments ratio for the sector is estimated at 30 percent, meaning that exports already play an important part in the sector's growth trajectory – something that should continue as international markets expand through 2017.

This *Top Markets Report* is intended to provide a candid assessment of various markets around the world and offer useful context in which to view global opportunities. It also can serve as a guide for accessing U.S. Government programs that can benefit exporters competing in markets abroad.

Recreational Transportation Exports

The biggest advantage and challenge facing recreational transportation producers is the size and vitality of the existing U.S. market. Americans love to "work hard, play hard!" As a result, the U.S. market for recreational transportation accounts for over half the global demand for these products.

U.S. manufacturers often produce the highest quality products at lower costs than many competitors because of economies of scale. Japan and Europe, for example, produce many recreational transportation products, but often at a cost disadvantage or with far less quality than many American-made products.

The size of the American market, as well as changing consumer tastes, has also created a demanding domestic market, stimulating a pace of product development that is faster than overseas markets. As a result, the United States produces more products than any other market, and more innovative products. This combination should continue to provide an important advantage for U.S. suppliers in the global market for the foreseeable future.

However, U.S. manufacturers can sometimes be content to serve and develop the U.S. domestic market at the expense of smaller overseas markets. The largest manufacturers understand that all markets are important, but small and medium-size manufacturers often ignore export opportunities until there is a downturn in local demand.

Too often, once a downturn in the U.S. economy happens, it is too late to shift to export markets, causing smaller manufacturers that could have been supporting international consumers to suspend production or go out of business.

While there are many strong markets for recreational transportation products, Canada is by far the largest export destination. Thirty-nine percent of all recreational transportation exports are sent to Canada.

Figure 1: Projected Top Markets for Recreational Transportation Exports (2015-2017)

1.	Canada	11.	Netherlands	21.	Sweden
2.	Belgium	12.	Italy	22.	Korea
3.	Australia	13.	Spain	23.	Costa Rica
4.	Mexico	14.	United Arab Emirates	24.	Norway
5.	Japan	15.	Finland	25.	Colombia
6.	China	16.	New Zealand	26.	South Africa
7.	Germany	17.	France	27.	Vietnam
8.	Brazil	18.	Taiwan	28.	Malaysia
9.	Singapore	19.	Hong Kong	29.	Saudi Arabia
10.	United Kingdom	20.	Russia	30.	Chile

With virtually no trade barriers, most American manufacturers treat sales to Canada no differently than domestic sales. Furthermore, regulatory requirements are nearly identical in both markets.

The second largest market according to U.S. trade figures is Belgium. Belgium is the leading transshipment point for Europe. American branded outboard marine engines are manufactured in Belgium, so U.S. boats are exported there to have an engine attached for distribution throughout Europe. In addition, U.S. motorcycles also enter Europe in Belgium and are then shipped to dealers in many European nations.

Australia is the third largest destination for U.S. recreational transportation products. As stated earlier, U.S. manufacturers' top priority is servicing the North American market. Since Australia's summer season is opposite from ours, U.S. manufacturers can devote more time seeking sales opportunities in Australia. In addition, Australian and U.S. consumers share similar tastes, abundant outdoor recreational terrain, and overall recreational interests.

Mexico is the fourth largest destination for U.S. exports. The key for Mexican growth is consumer confidence and the growth of personal disposable income. A big factor for consumer confidence is security. Can consumers feel comfortable on the roads and waterways in high quality recreational transportation products?

Japan is the fifth largest destination for U.S. exports. Japan used to be the second largest market for the sector back in 2002, but with long-term economic stagnation, disposable income growth slowed, and saturation in the market, opportunities are harder to find. But even under these conditions, Japanese consumers like and demand U.S. recreational products. Harley-Davidson Motor Company is the leading supplier of large motorcycles in Japan despite significant competition from local manufacturers.

Other notable Top Ten markets are China (6^{th}) and Brazil (8^{th}). These markets are key priorities for U.S. recreational transportation manufacturers. These large markets are seeing their greatest growth in their middle class populations, the primary purchaser of these products.

Optimizing U.S. Leverage

If you ask overseas consumers what they like and want from the United States, the most often heard term is the "American lifestyle" and products associated with that. Nothing screams America like the roar of a Harley-Davidson motorcycle, the comfort an Airstream travel trailer, or the fun of cruising on a Sea Ray boat on a lake. Often these are the dreams that foreign consumers aspire to.

As overseas economies improve, more and more consumers have the disposable income to afford these products. In most cases they do not want local products; they want the iconic American products that signify "American lifestyle fun!" Helping U.S. exporters deliver this message and showcase available products is therefore a cornerstone of export promotion in the sector.

In order to capitalize on overseas buyers' desire for American recreational products, U.S. exporters can look for U.S. Government programs, including both the International Buyer Program and the Certified Trade Fair Program. In addition, the International Trade Administration's Commercial Service's (CS) Gold and Platinum Key services continues to be a great tool for U.S. companies to use. Other notable programs that may provide opportunities to engage the U.S. Government include: the International Company Profile and the Small Business Administration (SBA) and Export-Import Bank (ExIm) loan programs.

The United States has the world's strongest and most product-specific standards, but some of these standards are developed by private organizations like the American Boat and Yacht Council and the Recreation Vehicle Industry Association. Meanwhile, the EU has developed its own set of standards that are in some cases functionally equivalent like boats and motorcycles, but are more costly or burdensome to implement. Third-country regulators can be hesitant to adopt private voluntary U.S. standards, as certification to these standards is not as transparent as European standards are. Yet European regulations have additional cost burdens. In some instances, regulators combine provisions for these two international standards, producing hybrid regulations, which are usually highly troublesome to foreign suppliers.

Another challenge is that foreign markets often see recreational products as luxury items and thus feel content to limit their importation by imposing high tariffs and/or taxes. In the United States, these products are designed for the middle class and are used on vacations to avoid the higher cost of hotels, airfare, and other vacation costs.

For example, despite little or no competition, RVs, boats, and large motorcycles have high tariffs in several Asian markets. The tariffs for certain types of RVs in China are 80 percent. When all taxes and tariffs are applied, an RV selling in the United States for $100,000, sells for $235,000 in China, effectively changing how these products are marketed. With the additional tariff cost, an RV is no longer a way to avoid the costs of hotels and restaurant meals but only as a way to escape back to nature.

The recreational marine product sector is the largest exporting segment of this sector as total U.S exports of such products are forecast to reach $2.9 billion in 2017. The next largest exporting sector is the RV industry. Total exports of these products are forecast to top $2.2 billion in 2017. The final two industry segments, miscellaneous vehicles, and motorcycles have U.S. exports that are forecast to reach $2.1 billion and $1.8 billion, respectively, in 2017.

Methodology

Accurately assessing the recreational transportation trade is difficult and results are often inexact. Coupling projections of future trade with future economic developments – either by product or country – given the sector's reliance on overseas consumer confidence and personal disposable income growth is often even more problematic. ITA has sought to be clear about the assumption made in its analysis and welcomes commentary on ways to improve this *Top Markets Report.*

To project the size of each country's potential export market for U.S. companies, ITA looked at past growth and the projected growth of each country's GDP. Additional information on industry expectations and priorities, market size, and other economic conditions were incorporated when available. This sector, however, is subjected to high growth and decline rates due to the fact that these are discretionary purchases.

Caveats

As stated previously, this sector is highly labor intensive. For some products like bicycles and small motorcycles, only high-end or niche domestic product manufacturers are globally competitive. In addition, several products within the trade statistics for the miscellaneous manufacturing, RV, and boat sectors, are not recreational in nature but rather are designed and built for commercial and industrial purposes. Exclusion of these products from this analysis and the underlying data is not possible. Fortunately, these products are still manufactured by predominately recreational companies.

Case Studies

ITA identified Canada and China for an in-depth case study of the overall recreational transportation industry sector. Since these various recreational products have unique issues, additional case studies are written about one particular subsector.

Each case study provides commentary on the opportunities and challenges that U.S. exporters may encounter in specific markets.

The report also includes snapshots of the different recreational transportation subsectors. When possible, subsector rankings have been provided, which should support a better targeting of export promotion activities towards those events and strategies most supportive of U.S. exports within these markets.

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Sector Snapshots

This section contains sector snapshots that summarize U.S. recreational transportation export opportunities in each subsector. The overviews outline ITA’s analysis of the export potential across each the sector’s supply chain and how U.S. exporters can take advantage of these opportunities. The snapshots provide subsector rankings and describe the different types of markets that U.S. exporters must sell into. Finally, each snapshot offers commentary on the relative competitive position of U.S. suppliers.

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Sector Case Study: Recreational Marine Products

ITA expects the Recreational Marine Sector to expand overseas as exports become a more important driver of the U.S. industry. In 2017, ITA forecasts the U.S. export-to-shipment ratio to grow to 36 percent from an estimated 32 percent in 2014 for the sector. Total U.S. exports of recreational marine products are expected to grow 10 percent annually, reaching an estimated $2.9 billion in 2017. The partnership between USG and the private sector will continue to foster opportunities for further sector export sales.

This industry is primarily classified under NAICS code 336612, Boat Building and Repairing. Trade for most of these products comes under Harmonized System (HS) code 8903, Recreational Marine Craft. In addition, marine engines fall under NAICS code 333618. Most marine engines are classified under HS codes 8407.21, 8407.29, and 8408.10.

Unfortunately, much of the boat parts and accessory market is not captured statistically. This category includes marine furnishings, electronics, and deck equipment. Marina accessories, like floating docks, fenders/bumpers, boat lifts, and boat trailers are also part of the sector.

The Nature of the U.S. Recreational Marine Industry

The U.S. recreational boat industry is the strongest it has been in years. U.S. expenditures on boating products, as measured by the National Marine Manufacturers Association (NMMA), increased by a compound annual rate of 4 percent from 2009 to 2013. The 2008-09 recession was very painful for the boat industry as several smaller manufacturers went out of business and overall sales and employment plummeted.

The U.S. boat market is very dependent on consumer confidence and personal disposable income. U.S. consumer confidence has rebounded to levels similar to 2007 just prior to the last recession. Also increasing is adult boating participation, which grew 8 percent annually from 2009 to 2013.

The U.S. boating market is driven by the middle class. In 2013, about 41 percent of boat owner participants made between $50,000 and $99,999, according to a survey prepared for the NMMA. This middle class-driven demand is what many emerging overseas markets don't understand.

U.S. Recreational Marine Industry Export Base

The best export category for the recreational marine sector is motorboats from 26-40 feet in length. This class of boat is also the highest-demand boat in the United States. As a result, U.S. manufacturers can produce these boats in a labor-intensive assembly line format, reducing costs but maintaining high quality. Other countries just can't match U.S. producers on

Top Recreational Marine Export Markets to 2017

1. **Canada**
   (Large market and large share but more opportunities to explore)
2. **Mexico**
   (Small market but large share with a complex distribution system)
3. **Australia**
   (Large market & large share but with regional distribution concerns)
4. **Belgium**
   (Small market, but is a transshipment point for outboard boats)
5. **Spain**
   (Large market with many opportunities)
6. **Italy**
   (Large market but primarily a sailboat market)
7. **Brazil**
   (Large market & large share despite high tariffs and taxes)
8. **Japan**
   (Strong potential market with structural impediments)
9. **United Arab Emirates**
   (Small market but demands high-end, high value products)

costs or quality for this boat length. For example, a typical U.S. boat manufacturer can produce in a month what foreign manufacturers produce in a year.

For boat engines, the U.S. manufacturers are also quite competitive worldwide. U.S. exports of marine engines totaled $586 million or 26 percent of all measured recreational marine products. U.S. manufacturers do have competition from Japanese manufacturers for outboard engines and European firms for inboard engines. In fact, total U.S. imports exceed U.S. exports of marine engines. U.S. manufacturers of direct injection 2-stroke engines have remained competitive against foreign products.

Personal watercrafts (PWC) are similarly in demand overseas and face competition from Japanese and Canadian manufacturers. However, much of U.S. production is by Japanese firms who can offer more competitive pricing even for export by manufacturing in the United States.

On the accessory side, portable floating docks and are easily customizable and have a strong demand overseas. These are typically plastic cubes that are linked together and can be built to moor PWCs or small boats. Other marina equipment products and services are sold overseas by U.S. companies. Many of these products are highly innovated and unique for overseas markets.

The primary lesson of this sector is that if you are competitive in the U.S. market then you can be competitive worldwide. So, for products like sailboats and sailboat accessories we may not be the world leader but can offer unique and quality products demanded worldwide.

Optimizing U.S. Leverage

With a highly competitive U.S. industry, but with smaller manufacturers, the biggest challenge is to introduce these manufacturers to the overseas opportunities. U.S. Government agencies can assist exporters to find these opportunities.

The National Marine Manufacturers Association (NNMA) serves as an outstanding partner to help exporters find opportunities abroad. The NMMA is an ITA strategic partner. Following an ITA outreach event on ITA's National Export Initiative for Recreational Transportation, the NMMA hired staff dedicated to assisting its membership to export. They have led U.S. participation in several overseas boat shows and events. The most notable example is the NMMA pavilion at the METS trade show in Amsterdam which has been supported by the Global Markets staff in several European countries.

In addition, the NMMA's largest U.S. show, the Miami International Boat Show, has been an IBP event the last three years. The February 2015 IBP-sponsored show attracted over 125 overseas companies and over 300 individual foreign buyers to the 2015 show. These events and the ITA-certified trade shows are the key to helping the U.S. industry increase their exports.

In order to expand export opportunities, this relationship will need to expand. The NMMA and ITA will work to choose the most appropriate overseas markets. The Association will continue to find U.S. companies willing to export and ITA will offer in-country and industry analysis to provide to these companies. Furthermore, the Association wants to put a little more emphasis on non-recreational boats or work boats so that will be an area of expansion for ITA as well. These boats are still typically still made by recreational marine manufacturers but have different applications and accessory needs.

U.S. exporter interests have been aided by the creation and growth of the Marine Tech Global Team. This team has brought together all the experts for the recreational marine industry from across ITA, domestic specialists, overseas specialists, country specialists, and industry specialists.

For the U.S. boating industry, there are few markets which retain high tariffs that effectively protect domestic industry. However, there is one market where this has occurred, Brazil. Brazil raised its tariffs on boats in 2012 to cool off an increased demand for imported boats. The increase to a 35 percent tariff rate is still under Brazil's bound rate but has negatively affected U.S. exports, as U.S. recreational marine product exports to Brazil declined 16 percent in 2014.

In most markets, tariffs on recreational marine products are high to gain revenue from wealthy consumers. Many less developed boating markets believe that boats are for the upper class and represent a luxury purchase so the government imposes a high tariff on the product to tax the wealthy. One goal for the industry should be to advise overseas markets that boats are not simply a luxury, but can also play a role in a middle class lifestyle and that lowering tariffs would stimulate demand and in the long run result in more tariff revenue.

One way to achieve lower tariffs is through free trade agreements (FTAs) and multilateral agreements. FTAs with Mexico and Australia significantly opened up these markets for U.S. boating products. U.S. exports of boats to Mexico increased 65 percent in a four year period after implementation (1993-97) while U.S. exports of boats to Australia increased 82 percent in the first four years of the FTA. The Trans-Pacific Partnership (TPP) could see significantly lower tariffs in Vietnam, Malaysia, and New Zealand. In addition, the Transatlantic Trade and Investment Partnership (TTIP) could help balance tariffs with the EU, the second largest market behind Canada.

TPP and TTIP may also benefit U.S. manufacturers by achieving greater convergence of boat safety standards. Standards and conformity assessment are often significant barriers to entry into overseas markets. There is not a safer boat than one manufactured in the United States, as the U.S. Coast Guard and the American Boat and Yacht Council has developed some of the world's toughest regulations. Unfortunately, certain smaller markets have attempted to adopted modified U.S. or EU standards (the other significant set of regulations on recreational boats) to create hybrid regulations. While U.S. and EU standards are almost functionally equivalent, these hybrid regulations can actually make the boat less safe or be cost prohibitive.

Finally, in order to grow overseas markets, further education is needed, both in terms of educating U.S. manufacturers to the various overseas opportunities and to the education of the overseas markets in expanding the boating market. While U.S. boating industry needs to show other markets what boating is all about, and that it is not just an activity for the wealthy but can be a viable option for a growing middle class population with increasing disposable income and time.

The NMMA has a program called DISCOVER BOATING which explains the boating lifestyle and helps potential consumers choose a boat that's right for their budget and understand what is involved in buying a boat. These videos and resources could be adapted to attract overseas consumers to the fun of boating. The NMMA and ITA will continue to cooperate to distribute this message to those countries that do not have a big recreational boating market, so that they can understand the pleasures of boating.

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Sector Case Study: Recreation Vehicles (RVs)

Most U.S. RV exports go to Canada, with only a small percentage to other markets. Though Canada is expected to account for over 90 percent of all U.S. exports through 2017, emerging markets will offer the greatest opportunities for growth. ITA will to continue to work closely with industry to reduce high duty/tax rates on RV imports, address regulatory and standards issues, educate consumers and government officials about RVs, promote U.S.-made products, and connect buyers with U.S. manufacturers to leverage increased opportunities for U.S. exporters.

A recreation vehicle (RV) is designed as temporary living quarters for travel, recreation, and camping. RVs may have their own motor power (motorhomes) or be mounted (truck campers), or towed by another vehicle (travel trailers, fifth wheel trailers, folding camping trailers). Sports utility RVs, which contain a built-in garage for hauling cycles, ATVs or sports equipment, are available in both motorhomes and towable RVs.

Retail prices for RVs range from about $5,000 for towable models (folding camping trailers) to $500,000 or more for motorhomes (Type A motorhomes). The variety of models allows RVs to appeal to a wide range of consumer preferences and income levels. Motorhomes can be driven and travel trailers towed in the United States with a regular automobile driver's license.

In addition to their recreational use, RVs may also be outfitted for commercial and other specialized purposes, such as disaster assistance. RVs can be produced for use as mobile offices, medical clinics, isolation units, bathrooms and showers, laundries, bunkrooms, command centers, and classrooms. They can also be used for temporary shelter for aid workers and contractors at disaster sites, or for families that have lost their homes. Throughout its history, the U.S. RV industry has responded to natural disasters and emergency situations around the globe.

The Nature of the U.S. RV Industry

There are over 60 RV manufacturers and 200 component parts suppliers in the United Sates. The Recreation Vehicle Industry Association (RVIA) estimates that there are over 12,000 RV-related businesses in the United States with combined annual revenues of more than $37.5 billion. RV manufacturers and suppliers are predominately small and medium-sized enterprises (SMEs). The industry is also highly concentrated. Over 80 percent of U.S.-made RVs are produced in Indiana, with the majority in Elkhart County.[i]

Large RV companies have economies of scale in production and distribution. Some large motorhome

Top RV Export Markets through 2017

1. **Canada**
   (Large market, additional opportunities available)
2. **China**
   (RVs and RV camping growing in popularity, RV and campground development are national priorities)
3. **Australia**
   (Large market, opportunities for rugged products)
4. **United Kingdom**
   (Mid-sized market, second largest producer country in Europe)
5. **Korea**
   (Camping is highly popular, large number of campgrounds)
6. **Mexico**
   (Mid-sized market, unique security concerns)
7. **United Arab Emirates**
   (Small market, strong demand for high-end products)
8. **Thailand**
   (Camping becoming increasingly popular)
9. **Germany**
   (Large market, largest producer country in Europe)
10. **Japan**
    (RVs used for post-disaster assistance)

manufacturers produce their own chassis. (Motorhome chassis typically include the vehicle frame, engine, transmission, axles, wheels, brakes, cooling system electrical system, steering system, suspension and instrumentation. Most motorhome manufacturers purchase chassis from third party manufacturers.) Small companies compete successfully by concentrating in specialty products or components.[ii]

Other notable characteristics of the industry are that production is labor intensive and the workforce highly skilled. It is also highly entrepreneurial and innovative as manufacturers increasingly produce lightweight towable RVs and smaller, fuel-efficient motorhomes. Green technologies, such as solar panels, are appearing on a growing number of RVs. [iii] The industry takes great pride in maintaining that it can build high quality, affordably priced RVs to almost any specification and need.

RV manufacturers are subject to a number of state and federal regulations and standards. RV standards include those for electrical and fuel systems, fire and safety, plumbing systems, and Federal Motor Vehicle Standards (National Highway Traffic Safety Administration, U.S. Department of Transportation). RVIA's members are required to build to the NFPA 1192 Standard on Recreation Vehicles and self-certify compliance to that standard. RVIA has inspectors that audit manufacturer compliance to the standard.

RV demand is highly dependent on demographics and consumer income. Consumers in increasing numbers are reaching the ages when they want to travel and camp in RVs. While middle-income consumers between the ages of 55 and 64 have had high RV ownership rates historically, customers between 35 and 54 are now the largest group of buyers. Over nine million households in the United States own an RV.[iv]

Because purchases of RVs are discretionary, demand is strongly dependent on consumer confidence. As the U.S. economy has recovered over the past several years, purchases of financed non-essential items such as RVs have performed better than other categories of retail spending.[v]

RV manufacturers have experienced five years of sustained growth since 2009, when shipments dropped to a recession low of 165,700 units. During the economic downturn, a number of manufacturers were forced to close or consolidate, and many that survived did so by cutting their workforce. Since then, pent-up consumer demand, an improved economy, low interest rates, available credit, declining fuel prices, and favorable demographics have contributed to continued growth in the industry.[vi]

In 2014, RV shipments totaled 356,735 units, representing an 11 percent growth from the previous year. Towable RVs made up 88 percent of total shipments, and motorhomes the remaining 12 percent. In 2015, the industry predicts that total shipments will grow to 379,400 units. RVIA expects that this trend will continue for the foreseeable future.[vii]

The RV Industry Export Base

The United States is the largest producer of RVs globally, producing more than twice as many RVs as the rest of world combined. [viii] However, because domestic demand has been so strong in recent years (temporarily exceeding supply at times), many manufacturers have not sought opportunities in other markets, with the exception of Canada.

Although some companies, particularly large manufacturers, have been actively involved in exporting their products, many small and medium-sized companies have focused their attention almost exclusively on the domestic market. Other SMEs are unaware of overseas opportunities. A current U.S. exports-to-shipments ratio of less than 15 percent further illustrates that exports do not yet play a significant role.

While the RV industry anticipates strong growth to continue for the near-term, market conditions could change with an economic downturn -- similar to what happened in 1980, 1990, 2001 and 2009 when wholesale shipments declined substantially.[ix] Increased industry involvement in exporting could help offset possible future slowdowns and declines in domestic demand.

Growing numbers of middle-class consumers with increasing discretionary income in a number of countries, particularly emerging markets, provide tremendous opportunities for U.S. exports of RVs. Also, rising numbers of consumers in these countries are becoming interested in RVs, camping and the "RV lifestyle." For a number of U.S. manufacturers that have been involved in exporting, much of their attention to date has focused on emerging RV markets in Asia – particularly China, Korea and Japan.

While U.S. RV manufacturers face competition in emerging markets from European manufacturers (particularly Germany and Slovenia), many consumers prefer U.S.-made RVs because they can be outfitted with features that European models cannot provide at a comparable price. European-built RVs do not have slideouts and tend to be smaller and more expensive than U.S. models.

Today, approximately 93 percent of U.S. RV exports are to Canada. Exports to the other nine largest markets are small. While China is the second largest market, it represents just over 1 percent of U.S. exports. Four markets -- Australia, United Kingdom (U.K.), Korea, and Mexico -- each account for less than 1 percent of exports. The remaining markets -- United Arab Emirates (UAE), Thailand, Germany, and Japan -- each account for fewer amounts.

Although current RV exports to most countries (except Canada) are small, export values can change substantially from year to year, depending on the types of RVs exported. For example, a large order of motorhomes exported to a country one year could result in higher export values for the period compared to the same number of towables the next year.

In 2014, U.S. exports of RVs totaled $1.7 billion. The majority of exports (75 percent) were towable RVs (travel trailers), campers and other models. Twenty-five percent of exports were motorhomes. ITA expects U.S. RV exports to increase to $2.2 billion in 2017, with a CAGR of 10 percent. Canada will continue to be a key destination for U.S. RVs through 2017, capturing over 90 percent of all U.S. exports.

Optimizing U.S. Leverage

ITA anticipates the greatest growth for U.S. exports to be to emerging markets, particularly China and Korea. In addition to increasingly favorable demographics and market conditions, growing consumer interest in RVs and camping, large numbers of existing campgrounds (Korea), and government efforts to promote tourism and develop RV and campground dedicated regulations (China), should enable opportunities for U.S. exports to grow in these countries.

In 2012, RVIA received a three-year Market Development Cooperator Program (MDCP) award from ITA to grow exports in China, Japan, and Korea (added more recently). RVIA's objectives under the award include programs and initiatives to:

- Pursue adoption of RV and campground industry standards compatible with U.S.-made RVs to ensure market access for U.S. exports;
- Pursue inclusion of RV definitions in the China Motor Vehicle Code;
- Pursue the development of RV road use regulations and to address licensing and registration issues;
- Pursue adoption of China Compulsory Certification requirements that take into account the unique issues encountered by RV manufacturers;
- Pursue the reduction of import duties and tariffs on RVs;
- Establish a social medial presence in China to promote RVing, with an emphasis on U.S. products;
- Serve as a resource for growing the RV market and campground development in China;
- Demonstrate how to operate an RV and tow a trailer; and
- Pursue opportunities to provide Japan with RVs for the country's post-disaster assistance efforts.

Continued U.S. Government support of RVIA's programs and initiatives in these countries will help increase opportunities for U.S. exporters in both the near and long-term.

In addition to its partnership with ITA as an MDCP cooperator, RVIA is also a strategic partner with ITA. This important affiliation, which began in 2013, allows the association's members enhanced access to ITA's global resources and increased opportunities in export markets.

U.S. Government services, such as those provided by CS like the Gold Key and Platinum Services, can also help leverage additional opportunities for U.S. companies. In the past, RVIA has utilized a Gold Key service in China, and more recently a Platinum Service in Japan for its initiatives to provide Japan with post-disaster assistance and develop model campground sites in disaster areas.

The participation of foreign buyers in ITA International Buyer Program (IBP) trade shows is a highly effective way of introducing them to U.S. manufacturers and products. The U.S. RV industry's annual trade show, the 53rd Annual National RV Show (*www.rvia.org)*, December 1-3, 2015, in Louisville, KY, an industry-only trade show, is an IBP-Select event (as was the 2014 show). ITA plans to work with industry to bring foreign buyers to the show to provide increased export opportunities for U.S. RV manufacturers and suppliers.

Because relatively little is known about RVs in many emerging markets, opportunities to promote RVs and educate consumers and government officials about U.S. products and the RV lifestyle should play a crucial role in U.S. Government and industry collaborative strategies. Trade promotion opportunities, such as outdoor lifestyle events, trade shows, and other events that facilitate the showcasing of U.S. RVs enable public officials and consumers to learn more about U.S. RVs.

While there is strong potential for increased growth for U.S. exports, RV exporters face challenges in emerging markets. A number of countries do not have adequately developed campsites (electric hook-ups, water and sanitation infrastructure, etc.) and highways to accommodate RVs. Further, because RVs are considered luxury items in some countries, they are subject to restrictive tariff and tax combinations, which limit U.S. exports to these markets. Concerns about crime also are a unique factor in some countries.

U.S. RV exports also often face a lack of regulations in overseas markets, or inconsistencies between existing standards, that generate confusion among RV manufacturers and suppliers, consumers, and government agencies. Most emerging markets do not have a designated industry category for RVs, adding to the challenge of separating them from the requirements imposed on other motor vehicles or recreational products. A key challenge in emerging markets is their adoption of quality standards.

Despite these obstacles, ITA encourages exporters to focus their efforts on emerging markets as these have the greatest opportunities for growth in the long-term. Countries that have Free Trade Agreements (FTAs) with the United States provide particularly advantageous opportunities, as these have fewer restrictions, including reduced or no import duties for RVs.

ITA will continue working collaboratively with U.S. industry to develop strategies that are specific for each market. As noted, coordinated U.S. Government and industry efforts are already underway in several key emerging markets – China, Korea, and Japan.

Country studies on the RV markets in China, Korea, and Japan follow this section of the *Top Markets* report. Information from RVIA and ITA's USFCS offices in Beijing, Seoul, and Tokyo was used for these studies.

Snapshots of additional markets (Chile, Colombia, Czech Republic, Thailand, Netherlands, United Kingdom, and Kenya) are below. ITA requested information about the RV industry in the form of a survey from all USFCS offices. The following USFCS offices provided information for the survey which was used for the "RV Market Snapshots:" Santiago; Bogota; Prague; Bangkok; The Hague; London; and Nairobi.

RV Market Snapshots

Chile

The RV market in Chile currently is small. Though Chile has two major RV manufacturers, the domestic market is comprised primarily of imported or used RVs. In 2014, RV imports in Chile totaled $4.5 million.

Despite its small size, the domestic RV market is growing little by little. Twenty years ago Chile did not have one suitable campground for RVs. Today, it has four campgrounds equipped for motorhomes -- three in the North of the country and one in the South. Other campgrounds may allow motorhomes; however, these typically do not offer special connections for RVs.

Similar to other emerging markets, Chile does not have dedicated regulations for RVs. Under the Chile-U.S. FTA there are no import duties on RVs – so, importers are only subject to a 19 percent value-added tax (VAT).

Though the current RV market in Chile is small, ITA believes it could provide increased opportunities for U.S. exporters in the long-term. With demand for RVs and campground development growing, and its status as an FTA partner with the United States, Chile is a potentially favorable market for U.S. companies. In 2014, U.S. RV exports to Chile totaled $3.1 million. Travel trailers were the largest category of exports, followed by truck campers and motorhomes.

Colombia

In 2014, U.S. RV exports to Colombia totaled $1.6 million. Travel trailers were the largest category of exports, followed by motorhomes. At present, Colombia does not have any campgrounds for RVs. However, local companies that sell RVs have signed partnerships with some national parks so that their vehicles are allowed in the campgrounds. There are two major manufacturers and distributors of RVs in Colombia.

The current RV market in Colombia is somewhat limited for several reasons. Among these include security concerns in the country which make RVs a target for criminals. For this reason, Colombians generally try to avoid driving vehicles that may appear to be luxury items. Also, the high cost for RVs (particularly specialty RVs such as disaster relief units) in Colombia is an additional factor. While there is not a dedicated trade show for RVs, a local distributor exhibited in the 2014 Salon Internacional del Automovil Trade Show in Bogotá.

Though the current market in Colombia may be limited for RVs, ITA believes that it could provide opportunities for U.S. exporters in the long-term. A growing middle class with increasing levels of discretionary income and its status as an FTA partner with the United States make Colombia a potentially favorable market for U.S. companies in the long-term.

Czech Republic

The RV market in the Czech Republic is estimated to be about $30 million, and it is expected to grow steadily. In 2013, 1,657 units were imported into the Czech Republic, with an average value of $20,000. This was a 57 percent over 2012 levels. In 2014, 734 RVs were sold by September. Standards for RVs are governed by EU directives and legislation. There are two major domestic RV manufacturers.

Industry groups that represent the RV industry in the Czech Republic include OSCAR and ASOCIACE CARAVAN CLUBU ACR. The leading RV trade show in the Czech Republic is Caravaning Brno, International Caravaning Show (November).

Thailand

Thailand currently does not have an established RV market. While there are a small number of caravans, camper vans, and motorhomes in Thailand, most RVs are privately imported for personal use by individuals or groups of users (mostly wealthy families), or assembled locally by foreign companies and local pick-up truck assembly companies.

There are approximately 20 campgrounds across the country. Most of these are owned and managed by private resorts, and some are operated by the Thailand government national parks. Additional information about RV parks in Thailand can be found at: *http://thairv.com/board/index.php?board=5.0*.

Five RV manufacturers in Thailand produce motorhomes, camping cars, caravans, and other products. Thailand does not have dedicated regulations for RVs.

Currently, Thailand does not have any official groups or associations that represent the RV industry. However, RV owners and consumers use the following website to communicate and share information about RVs, RV parks and buying/selling RVs: *www.tairv.com.*

Camping is becoming increasingly popular in Thailand, driven by expanded parking areas in national parks and resorts. The popularity of camping is expected to rise even more once the Association of Southeast Asian Nations Economic Community (ASEAN) is fully implemented.[x] Though there are not any dedicated RV shows in Thailand, a few motor (automotive) shows feature a designated area for RVs. These include the Thailand International Expo and Bangkok International Motor Show.

While Thailand currently does not have an established RV market, camping is becoming increasingly popular. This trend, combined with a growing middle class, make Thailand a potentially favorable market for U.S. companies in the long-term. In 2014, U.S. RV exports to Thailand totaled $4.3 million. Motorhomes were the largest category of exports, followed by travel trailers.

Netherlands

At the present time, 650,000 caravans and 90,000 campers are in use in the Netherlands. It ranks first in terms of caravan density in Europe. The Dutch consumer association, ANWB (www.anwbcamping.nl) lists over 1,200 caravan and campsites in the Netherlands. There are two major domestic RV manufacturers. RV standards in the Netherlands are governed by EU directives and legislation.

In 2014, new caravan sales in the Netherlands totaled 5,489 units, compared to 5,782 in 2013. The brands Hobby and Fendt are market leaders with a combined share of 41 percent of the caravan market. (Fendt recorded a 20 percent rise in sales in 2014.) The German manufacturer Knaus has an 11.5 percent market share. Used caravan sales totaled 11,847 units in 2014, compared to 11,847 units in 2013.

Campers are becoming increasingly popular in the Netherlands. In January 2009, there were 60,000 units on the market while 2014 closed with more than 90,000 campers, an increase of 50 percent over the past six years. Market leaders Humer and Adria en Burstner together comprise almost one-third of the new camper market. Campers are particularly well-received by people in the 55 and over age group.

Industry groups that represent the RV industry in the Netherlands include BOVAG, which has over 10,000 members, and ANWB, which represents consumers and companies. The European Caravan Federation (ECF) is the umbrella organization representing the national organizations of the European Caravanning Industry. The leading domestic RV trade shows are Auto RAI (April) and Kampeer en Caravan (October).

United Kingdom

ITA estimates the caravan industry in the United Kingdom (U.K.) to be worth £6 billion ($9.2 billion) a year. Approximately half a million people in the United Kingdom own tourers, with another 164,000 owning motorhomes, and 260,000 caravan holiday homes. Almost all touring caravans (96 percent) and the majority of motorhomes (70 percent) sold in the United Kingdom are produced domestically.

Caravan holidays in the United Kingdom are popular for their low cost, low carbon footprint, and the abundance of places to visit in the country. Over half of holidaymakers polled last year indicated they were planning to take their annual break in the United Kingdom. There are over 3,000 caravan and campsites across England, Scotland, Wales and Northern Ireland.[xi]

The European leisure vehicle market suffered a 5.5 percent sales loss in 2013 relative to 2012, with 138,390 new vehicles sold. Only the Norwegian, German and U.K. markets were able to maintain the sales levels of 2012. The unfavorable market conditions in many European countries posed a major challenge for the European leisure vehicle industry as a whole in 2013. In 2013, Germany continued to be the European market leader for new leisure vehicle sales, followed by the United Kingdom and France. There are seventeen major RV manufacturers in the United Kingdom.

In 2012, spending by Great Britain residents during domestic camping and caravan trips was up 5 percent compared to 2010, and bed nights (overnight stays) were up 2 percent. In 2012, U.K. residents took 15.9 million camping and caravanning trips, spending £2.5 billion ($3.8 billion) during their trips. By contrast, they made 9.8 million visits to Spain and 6.2 million to France. Of the 15.9 million trips, 48 percent were spent in static caravans, 26 percent camping, and 26 percent in touring caravans or motorhomes.

In 2012, U.K. residents spent some 71 million bed nights in caravans, tents and motorhomes. The accommodation category is second only to hotels and larger than the combined bed and breakfast (B&B) guesthouse and built self-catering sectors, by domestic trips/bed nights. In 2012, the average trip length was 4.5 nights and average spending per trip £159 ($244) per person for domestic camping and caravanning.

RV standards in the United Kingdom are governed by EU directives and legislation. In 2014, U.S. RV exports to the United Kingdom totaled $12.9 million. Travel trailers were the largest category of exports (62 percent), followed by motorhomes and truck campers.

Kenya

Kenya does not have an RV industry. ITA is uncertain whether one is viable, but a growing middle class that is currently driving economic growth in the country may in the mid to long-term see interest in this market.

Sector Case Study: Motorcycles and Parts

ITA expects the Motorcycles sector to expand overseas as exports become a more important driver of the U.S. industry. In 2017, ITA forecasts the U.S. export-to-shipment ratio to grow to 30 percent for the sector. Total U.S. exports of motorcycle products are expected to grow 10 percent annually, reaching an estimated $1.8 billion in 2017. The U.S. industry is composed of 2 major manufacturers and many smaller manufacturers of custom motorcycles, electric cycles, parts and accessories.

U.S. product shipments of motorcycles were $4.9 billion in 2013. The industry has grown since 2009. The export to shipments ratio was 26 percent in 2013, which is very strong, considering that the American baby boom generation was at its peak earning power. Motorcycles sales in the United States reached their peak in 2005. Sales fell drastically with the recession. Sales have rebounded since but nowhere near the levels in the beginning of the century.

The U.S. industry is dominated by one manufacturer, Harley-Davidson Motor Company (H-D). H-D manufactures large motorcycles. Smaller-engine motorcycles are typically imported by Japanese companies. The H-D has perfected a unique product that attracts many motorcycle riders worldwide. This iconic "V-twin" engine design has become a symbol of the American free spirit. That spirit has become very popular overseas.

The Motorcycle Industry Export Base

While Harley Davidson might be the key to the industry, there are many parts and accessory companies that supply the company, offer similar custom V-twin products, like Victory (Polaris Industries) and Orange County Choppers. These companies have great opportunities if they meet international motorcycle standards.

While the domestic market for motorcycles may not reach earlier levels. H-D has made a greater effort to grow international sales. One reason for this is that motorcycle per capita usage is higher in many overseas markets, particularly Asian markets.

H-D has had success in several markets like Japan becoming the top brand there for large against the world's leading motorcycle manufacturers. U.S. exports to Japan totaled $124 million in 2014.

The top destination for U.S. exports of motorcycles and parts is Belgium. Such exports will reach a forecast total of $519 million by 2017. However, H-D uses distributors in the country to sell several other Western European markets. The second largest destination for U.S. exports of motorcycles and parts is Canada. It is forecast that U.S. exports to Canada will total $267 million in 2017.

Australia and Singapore are the next two largest destinations for U.S. exports of motorcycles and are forecast to reach $138 million and $115 million.

Optimizing U.S. Leverage

Harley-Davidson markets its products successfully worldwide. However, the company has had difficulties in several markets. These difficulties are typically standards related. Harley-Davidson manufactures safe, clean, and quiet products that can be ridden on all roads that an automobile can use.

A number of Asian markets don't have many large motorcycles, instead, they have a large fleet of small two-stroke motorcycles that can create pollution and

Top Motorcycle Export Markets through 2017

1. Belgium
2. Canada
3. Japan
4. Australia
5. Singapore
6. Hong Kong
7. Mexico
8. Germany
9. Malaysia
10. South Africa
11. Netherlands
12. Russia
13. China
14. United Kingdom
15. Thailand

over-crowded roads. To combat these problems some countries have created market-specific hybrid emission standards different from international norms. Some Asian markets have banned all motorcycles from highways since they have virtually no large motorcycles and the small motorcycles are underpowered to maintain highway speeds. Large motorcycles are sufficiently powered for highways and are proven statically to be safer on highways instead of crowded street roads. Many U.S. states ban smaller engine motorcycles but not large cycles. Taiwan is a market that has removed such restrictions and allows large motorcycles on its major expressways. However, Korea, Vietnam and others still maintain highway restrictions.

China has adopted the most onerous restrictions to combat pollution and crowding in its cities. Over 100 cities in China have varied restrictions on motorcycles. In some areas it is just a restriction on no new motorcycle regulations. In other cases, they have outright bans. While some of the reasons for owning a large motorcycle are to enjoy the open countryside, most consumers who can afford these motorcycles live in these major urban centers. While these regulations may not reflect national policy, they were adopted following recommendations from policy makers in Beijing. The hope is for China to identify a trial city where large motorcycles are allowed to be registered and operated on streets and highways, so that China can effectively assess the very limited impact these motorcycles have on urban traffic flow.

While a company like Harley Davidson may not need export promotion services, custom builders and parts manufacturers are small firms who need any and all export assistance. Participation in domestic International Buyer Program shows and Certified-overseas trade shows would be the best way to reach and help these firms.

Sector Case Study: Miscellaneous Transportation Vehicles

ITA expects the Miscellaneous Transportation Sector to expand overseas as exports become a more important driver of the U.S. industry. Total U.S. exports of these vehicles are expected to grow 10 percent annually, reaching an estimated $2.1 billion in 2017. This sector is quite diverse and although most of the products are recreational, some products are industrial and commercial in nature. The demand for each product is very different in individual overseas markets.

This is the least defined product category within the recreational transportation sector. From an HTS statistical standpoint, it is a catch-all classification for various motor and electric vehicles. However, there are several major recreational products. The first segment of products is golf cars. These vehicles are used to transport golfers, clubs, and bags on the golf course and are both gas- and electric-powered. Snowmobiles are also a major products found in this segment. The last major segments are All-Terrain Vehicles (ATVs) and industrial vehicles.

The Miscellaneous Vehicle Industry Export Base

The markets for ATVs are very similar to the demand for motorcycles. Most ATVs are manufactured in the United States by Japanese firms. The notable exceptions are Polaris and John Deere. These products are used for off-road purposes and sometimes not for recreation but for farming, and other commercial applications.

Over 90 percent of the world's golf cars are manufactured in Georgia by three producers. Golf cars are typically sold to golf courses on a bid basis for their entire fleet. These products typically are sold into markets with an expanding golf course development. China recently had a boon in golf course construction. These courses needed golf cars as miscellaneous vehicle exports to China totaled $70 million in 2014.

The snowmobile market has the most defined demand of all recreational transportation products, as these are sold only in markets with sufficient snow. Canada, Finland, and Sweden are the biggest market for these products.

Canada is expected to be the largest market for all miscellaneous vehicle products in 2017; with U.S. exports to Canada reaching an estimated $774 million representing 39 percent of all miscellaneous vehicle exports. All miscellaneous vehicle products are in high demand in Canada.

The second largest destination for miscellaneous vehicle exports is Australia. In 2017, U.S. exports to the market will reach an estimated $126 million. This market is primarily a great market for golf cars and ATVs.

Mexico is the third largest destination for miscellaneous vehicles and is expected to grow 12 percent annually to 2017 and reaching $100 million. ATVs and golf cars are in the most demand in Mexico.

Top Miscellaneous Vehicles Export Markets to 2017

1. **Canada**
   (Major market for Snowmobiles, ATVs and Golf cars)
2. **Australia**
   (Major market for ATVs and Golf Cars)
3. **Mexico**
   (Major market for ATVs and Golf Cars)
4. **China**
   (Major market for Golf Cars and ATVs)
5. **Finland**
   (Major market for Snowmobiles and ATVs)
6. **United Kingdom**
   (Major market for Golf Cars and ATVs)
7. **Germany**
   (Major market for Golf Cars and ATVs)
8. **Sweden**
   (Major market for Snowmobiles and ATVs)
9. **Belgium**
   (Major market for ATVs and Golf Cars)
10. **New Zealand**
    (Major market for ATVs and Golf Cars)

China is the fourth largest destination for U.S. exports of miscellaneous vehicles. Such exports are forecast to grow at a compound annual rate of 16 percent from 2014 to 2017. In addition to golf cars, ATVs are very popular in China.

The fifth biggest destination for U.S. exports of miscellaneous vehicles is Finland. U.S. exports to Finland are forecast to reach $83 million in 2017. These exports are primarily snowmobiles.

Optimizing U.S. Leverage

There are not many barriers for most miscellaneous vehicles. However, certain markets have high tariffs for perceived luxury goods. Golf cars in Thailand are assessed at a high rate, due to their being considered a luxury good. Finally, ITA will promote typical export promotion services like Gold Keys and international company profiles to assist potential exporters.

Country Case Studies

The following pages include country case studies that summarize export opportunities in selected markets. The overviews outline ITA's analysis of the U.S. export potential, as well as the opportunities and challenges facing exporters when competing in each market. The markets represent a range of countries to illustrate a variety of points – and not the top five markets overall. In this report some country case studies are limited to one recreational sector and are noted in the title.

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Australia – *Recreational Marine*

Australia is a strong market for recreational marine products, and thus this case study focuses on recreational marine export opportunities. Australia is the third largest destination for U.S. exports of these products. U.S. exports to Australia are forecast to grow 12 percent annually between 2014 and 2017 and total $228 million. However, in some areas, more than one distributor is required in the country and individual states in Australia have unique marketing concerns which could limit overall sales opportunities.

Marine	RVs	Overall Ranking
3	3	
Motorcycles	**Miscellaneous**	
4	2	3

Australia has a coastline of 41,340 miles and almost 11,600 square miles of inland lakes and waters. Australians have a great opportunity to enjoy boating throughout the country. In addition, the Australian GDP per capita purchasing power-priority (PPP) is the 5th highest in the world at $43,000. Potential boaters have both the ways and the means to enjoy the sport. There are approximately 1.8 million boats in Australia. Given the population, that means there is one boat for every 13 people.

Australia is a large, mature market with 450 marinas, 75,000 wet slips, dry-stack berths and dry-sail berths, and 30,000 open moorings. The majority of boats in Australia are rigid boats including those with an outboard motor. The majority of boat owners are part of Australia's middle-class. Australia's domestic manufacturers account for 60 percent of Australian apparent consumption (production + imports – exports). Furthermore, several Australian manufacturers are competitive worldwide, exporting all over Asia and many of the major boating markets.

The U.S share of imports into Australia was approximately 42 percent in 2013. In 2014, U.S. exports of recreational marine products to Australia totaled $163 million. Australian Disposable Personal Income is forecast to grow at a compound annual rate of 3 percent from 2014-2020, so it can be expected that U.S. exports of recreational marine products will grow 12 percent from 2014 to 2017.

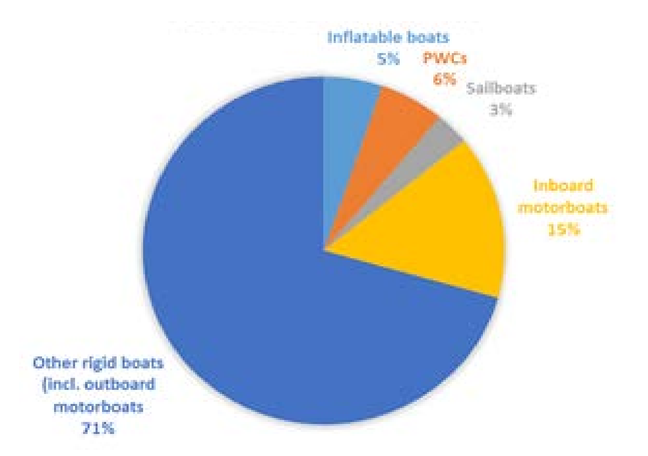
Opportunities for U.S. Companies

With a mature market like Australia, there are still more export opportunities for all U.S. companies. Under the U.S.-Australia Free Trade Agreement, U.S. marine products enter Australia duty-free. Outboard motorboats and engines have the biggest opportunity. Currently, many of the larger U.S. manufacturers have done well in Australia but smaller U.S. manufacturers should have opportunities to export their products into this market as well.

Optimizing U.S. Leverage

For this market, the ITA plans to concentrate on typical export promotion programs, such as the Gold/Platinum Key Services. ITA will continue to work

Figure 1: Australian Boat Park



with the NMMA and its counterpart in Australia, the Boating Industries Alliance Australia (BIAA) to identify new opportunities for U.S. exporters including the recruitment of U.S. manufacturers to Australian boat shows and working on getting Australian buyers to U.S. shows. One unique aspect of Australia is that selling products in the country may require several distributors in the distinct states within the country to maximize potential. ITA's knowledge on these differences can help U.S. manufacturers maximize their opportunities.

Did You Know?

1. Australia is the largest country market for recreational boats and accessories.
2. The Australian GDP per capita purchasing power-priority (PPP) is the 5th highest in the world at $43,000 combined with the fact that most of the population lives near the coastline. A perfect combination for a healthy boating market
3. Distributions and sales opportunities can vary significantly in the different states of Australia often requiring multiple distributors in the country to maximize sales opportunities.

Brazil – *Recreational Marine*

Brazil is the second largest destination market for U.S. boat exports in Latin America, and ranks eighth in terms of overall projected recreational transportation exports. This case study therefore focuses on the export of marine products. U.S. recreational marine exports to Brazil are forecast to grow 12 percent annually between 2014 and 2017 and total $86 million. However, Brazilian tax and tariff policies pose serious problems for U.S. exporters. Brazilian import tariffs, which were recently raised to 35 percent, and combined with several different taxes, lead to significantly higher purchase prices in Brazil, when compared to other markets.

Marine	RVs	Overall Ranking
7	N/A	
Motorcycles	**Miscellaneous**	
30	N/A	8

Brazil has approximately 4,660 miles of coastline. Add to that the Amazon River and all its tributaries, and Brazil has the potential to be a huge boating market. Already there are 540 marinas, 67,687 wet berths, drystack and drysail berths, and 8,240 open moorings. However, Brazil's GDP per capita PPP is only $12,221. So like Mexico, Brazil's boating market is mostly for the wealthy.

Bearing this out is the fact that 65 percent of all boats in Brazil are inboard motorboats. Inboards are typically large boats with large diesel engines. Brazilian manufacturers supply most of the Brazil boating market. Several European and recently an American firm have opted to establish join ventures in the market in order to lessen the effect of tariffs, local taxes and fees.

Challenges and Barriers to Recreational Marine Exports

The challenge for the Brazil market is how to expand the market to the middle class. It should start with government reforms that will lower tariffs and taxes to give the middle class more buying power.

Opportunities for U.S. Companies

The infrastructure for a strong boating market is present. So there will be many opportunities for U.S. boating manufacturers. However, several of the larger manufacturers may decide that the best way to sell in the market is to produce in Brazil.

There will also be opportunities for small-size outboard boat manufacturers as development along the Amazon River continues. In addition, portable customized dock structures will likely be popular in the Amazon basin. However, most of the products will have to be environmentally friendly in this area.

Finally, the 2016 Rio Olympics could offer opportunities for high-end marine boats and accessories. Besides equipment for the organizers, boats can be used for viewing platforms at many of the aquatic events.

Optimizing U.S. Leverage

Brazil's recreational marine sector is hindered by high tariffs. If the applied tariffs for smaller boats were lowered, the entry level market would likely grow, eventually helping Brazilian manufacturers of larger yachts when these new consumers look to upgrade to larger models of boats.

In order to open up the market to more middle-class families, U.S. interests need to educate consumers about options in the recreational marine market. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. Brazil's trade association for recreational boating, ACOBAR, has started a new project called "Venha Navegar" which is a great step towards helping consumers chose a boat that is right for them.

During the 2015 Miami International Boat Show there was a large buyer delegation from Brazil that hopefully will open new avenues of expansion for U.S. companies, as these buyers met with many U.S. manufacturers.

Furthermore, participation in Brazil's major boat trade shows can be a great opportunity to increase sales to Brazil. The Rio Boat Show (March 2015) and Sao Paulo Boat show (September 2016) are the major trade shows and take place on alternate years. Participating in overseas shows like this will open up marketing and sales opportunities to the Brazilian boating market.

Did You Know?

1. Currently, Brazil's boat market consists mostly of inboard boats.
2. Brazilian trade association has introduced "Venha Navegar," a program to encourage new boat owners in Brazil.
3. Many Brazilians buyers come to US boat shows like the Miami International Boat Show
4. Brazilian boat shows in Rio and San Paulo are a great way to introduce your products into the market.

Canada

Canada has ranked #1 on ITA's list of top recreational transportation export markets for the last decade. Over the next three years, Canada will account for nearly 40 percent of all U.S. exports in the sector. Its proximity to the United States and the close commercial relationship enjoyed by many U.S. suppliers provides exporters a favorable environment to sell their products or services. While most exporters are well established in Canada, many small manufacturers, particularly in southern states could benefit from some sort of export promotion activity.

Marine	RVs	Overall Ranking
1	1	1
Motorcycles	**Miscellaneous**	
2	1	

Canada is the largest market for recreational transportation products, and is the number one market for recreational marine products, RVs, and miscellaneous vehicles. It is the second ranked market for the other recreational transportations sector, motorcycles. The rankings are not likely to change in the near- or mid-term future.

Overview of the Recreational Transportation Market

Canada has seen Disposable Personal Income (DPI) increase since 2005. As a result, U.S. exports to Canada of recreational transportation products have become more important to U.S. manufacturers. During the global recession in 2008, many U.S. manufacturers pointed to the continued growth in Canada as the savior of their bottom line. Canada's DPI is forecast to continue growing over the next several years according the Trading Economics.[xii]

Unlike many other markets, there are major domestic competitors in Canada in most of these sectors. However, the ease of doing business between the two markets means that opportunities are available and will continue to be available, particularly for U.S. producers that offer a unique or new product.

The Canadian market for recreational marine products is strong. U.S. Recreational Marine exports to Canada account for 29 percent of total U.S. recreational marine exports. Canada has more lakes than any other country, and many are perfect for recreational boating.

The National Marine Manufacturers Association (NMMA) of Canada represents the interests of the Canadian recreational boating industry. NMMA's recent statistics indicate that in 2012, more than one in five Canadian households owned at least one recreational boat, while just over one-third of households participated in boating. Ontario leads the way with 40 percent of residents participating in boating, followed by British Columbia at close to 20 percent. Much like the United States, the primary buyers of boats and marine products are part of the middle class. The average boater in Canada ranges between the ages of 31–49, has children at home, and has a household income of CAD 40,000 to CAD 99,000 a year.

There are several competitive manufacturers of boats in Canada that U.S. producers must compete with for market share. In the personal watercraft segment, Canada is home to Bombardier, one of the world's largest manufacturers of these products.

The Recreation Vehicle (RV) market in Canada is a vital part of the U.S. industry sales. According to ITA's projections, in 2017, U.S. exports of RVs to Canada will account for 93 percent of total U.S. exports of such products. Much like the boating industry, the average buyer for Canadian RVs are middle class and between the ages of 31-49. Ontario and Quebec have the greatest number of RV owners in Canada.

The U.S. motorcycle industry is the least dependent on the Canadian market. U.S. exports of motorcycles to Canada only account for 15 percent of total U.S.

motorcycle exports. That is still significant but not a driving force on overall sector health. According to the Motorcycle & Moped Industry Council of Canada, over 160,000 new units of motorcycles, scooters and ATVs plus parts and accessories were sold during 2013 at an estimated retail value of $1.6 billion.

By dollar value, new motorcycle sales accounted for 51 percent of the total retail value of sales and new ATV sales accounted for 48 percent of the total retail value of new unit sales. There were 747 authorized motorcycle dealers and 842 authorized all-terrain vehicle dealers across Canada in 2013.[xiii] Within the miscellaneous manufacturing sector, the dependency on the Canadian market is more relevant. U.S. exports of Snowmobiles, ATVs, and Golf Cars to Canada account for 36 percent of total U.S. exports of these products. Snowmobiling and ATVs are quite popular in Canada.

Challenges and Barriers to Recreational Transportation Exports

There is little or no barrier to entry into the Canadian market for recreational transportation manufacturers. Many of Canada's regulations are very similar to those in the United States. Canadian regulators operate independently from U.S. regulators but usually modify their product standards after new standards are developed in the United States. Slight differences do exist and must be noted in order to successfully compete in the Canadian market, but these are not typically costly or onerous. One difference worth noting is that for both boats and RVs, U.S. standards are developed by private organizations, whereas Canadian regulations are created by government regulators.

Opportunities for U.S. Companies

Recreational transportation manufacturers, particularly small manufacturers, are often overconfident in their knowledge of the Canadian market. Much like the U.S. consumer, Canadian buyers are conscious about what they want. Canadian dealers are constantly looking to keep up with them and are seeking new products and new innovations.

Trade shows are great way to find new business opportunities in Canada. U.S. suppliers have found success attending Canadian trade shows and Canadian buyers often attend major shows in the United States. Finally, getting access to Canadian market conditions and opportunities would benefit many of the small U.S. recreational transportation manufacturers.

The important trade shows in the United States that could entice Canadian buyers to attend are: 1) the Miami International Boat Show, held in February; 2) the *Dealernews* International Powersports Dealer Expo, held in December in Chicago; and 3) the RV Annual National Trade Show, held in December, in Louisville. The major shows in Canada for this industry sector are: 1) the Toronto International Boat Show held in January; 2) the Toronto International RV Show in February; and 3) the North American Int'l Motorcycle SuperShow, held in January in Toronto.

Did You Know?

1. Canada has seen Disposable Personal Income (DPI) increase since 2005.
2. More than one in five Canadian households owned at least one recreational boat, while just over one-third of households participated in boating.
3. Participating in Canadian recreational transportation trade shows is a great way to introduce your products to the market or increase market share.

China

China's recreational transportation market has undergone major changes the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. ITA plans to continue working with industry to address China's high duty and tax rates for recreational imports and regulatory and standards issues to leverage increased opportunities for U.S. exporters.

Marine	RVs	Overall Ranking
10	2	6
Motorcycles	**Miscellaneous**	
13	4	

Recreation Vehicles (RVs)

China's RV market has undergone significant changes over the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. With a growing demand for RVs and a shift in consumers' travel preferences, tourism experts in China anticipate a surge of RV-related businesses in the coming years. 'More people are choosing to explore the countryside and hit the roads with recreational vehicles – a home on wheels.'[xiv]

China's domestic RV market is in the early stages of development. While currently there only about 10,000 RVs in China, the Shanghai Tourism Administration predicts that this number could reach three million in the coming decade. China's rapidly growing economy and rising middle class are fueling an unprecedented demand for leisure-related goods and activities, such as RVs and RV camping. [xv]

China ranks second only to Canada as a destination market for U.S. RV exports. While exports to China are small compared to Canada, these are expected to increase considerably over the next three years. ITA expects U.S. RV exports to China to increase to $80.2 million in 2017, with a CAGR of 22 percent.

China currently has about 40 RV manufacturers, comprising mainly of converters and specialty vehicle makers. Domestically produced RVs dominate the marketplace, accounting for about 60 percent of overall RV sales. Chinese manufacturers offer a variety of products, from towable RVs to motorhomes, ranging in price from about RMB 44,500 to over RMB 1 million ($7,100 to over $159,000).[xvi]

Despite the growing popularity and demand for RVs, China has only about 100 campgrounds nationwide. Less than 50 of these are RV-ready. The lack of an adequate RV infrastructure has led to unrealized downstream goods and services needed by RV travelers (such as camping equipment, clothing, gasoline, food, etc.) [xvii]

In addition to the shortage of campgrounds, growth of the RV industry has also been hampered by the lack of standards and a regulatory framework governing the manufacture and use of RVs. Although some government agencies have adopted their own rules and regulations for RVs, these are not uniform across agencies. Also, existing standards and regulations commonly are based on motor vehicle-related standards without regard to the unique characteristics of RVs.

China has made a push in recent years to develop domestic tourism, including campgrounds and the RV industry. At the national level, China's State Council circulated an opinion in December 2009 on accelerating development of the tourism industry. The document specified that China should vigorously support the emerging tourism industry, including RVs.

Campground development has received great support from the government in China. In August 2014, the State Council called for the development of campgrounds and campground standards, and to update existing requirements on travel trailers. In October 2014, it called for 'building auto campsites and RV campgrounds' and it included RVs and camping among one of the six growth areas the government is focusing on in an effort ‘to promote consumer spending on tourism and leisure activities.’[xviii] In addition, the Chinese automotive industry has listed RVs as a key emerging sector to boost healthy, rapid and stable development.

At the local level, large cities such as Beijing and Shanghai are actively involved in efforts to develop tourism, campgrounds and the RV industry. In October 2014, the first campground for RVs in Shanghai opened on Chongming Island. It features recreation areas that offer a range of activities for RV owners and visitors wanting to rent RVs onsite.[xix]

Newly developed campgrounds are emerging monthly across China. Among these include sites in Anhui, Guizhou, Heilongjiang, Hebei, Henan, Liaoning, Ningxia, Sichuan, Yunnan, and Zhejiang provinces. National and local tourism officials have plans to develop other campgrounds in a number of other locations as well, including RV service centers in the Yangtze River Delta.[xx]

Motorcycles

China has a large per capita usage of “two-wheelers”. However, virtually all of these are small, two- or four-stroke motorcycles producing high levels of emissions and are relatively underpowered when compared to the increasing numbers of autos in many APEC markets. This has led to increasing concern over smog, overcrowding on roads, and increased accidents on highways.

In addition, as the standard of living has risen in China, the demand and trade in heavyweight motorcycles has risen as well. The explosive growth of China’s emerging middle class has brought sweeping economic change and social transformation—and it’s not over yet. By 2022, it is projected that more than 75 percent of China’s urban consumers will earn $9,000 to $34,000 a year. Furthermore, the upper middle class will account for 54 percent of urban households and 56 percent of urban private consumption.

U.S. exports of motorcycles and parts to China were $14 million in 2014, which was a CAGR of 18 percent from 2009-2014. ITA estimates that such exports will reach $22 million in 2017, growing 16 percent annually.

Recreational Marine

China has over 11,000 miles of coastline and 32,000 square miles of inland freshwater lakes and rivers, so the country has the potential to be a huge market for recreational boats. Unfortunately, there are only 90 marinas and 7,000 wet berths/slips, drystack, and drysail berths. Brazil has less than half the coastline and freshwater of China but has 540 marinas and 67,000 similar berths. However, China’s GDP per capita PPP is slightly less than Brazil at only $9,844.

The current boat park (registrations) in China total 53,836, of which 58 percent are inflatables, 32 percent are outboard motorboats, seven percent are inboard motorboats, and three percent sailboats. There are over 180 boat builders with virtually all of them producing inflatable boats for both domestic and export purposes.

China imports most of its non-inflatables. Perhaps because there is a shortage of marinas and boat slips, the import market is dominated by yachts and super yachts. The average unit price of boats entering China from the leading suppliers, Italy and France, were over $970,000 and $440,000, respectively. The United States was the fourth largest supplier but the average unit price of its boats was just over $18,000.

As the number of middle class families increases, so too does the potential for more boat sales. In addition, China’s lending interest rate is 6 percent, which is rather low given the per capita income of China. So those consumers that have access to loans should have an affordable repayment schedule.

U.S. exports of recreational marine products to China were $45 million in 2014, which was a CAGR of 19 percent. ITA estimates that such exports will reach $63 million in 2017, growing 12 percent annually.

Challenges and Barriers to Exports

RVs

The biggest challenge U.S. exports face in China is the country’s duty/tax rates for imported RVs. These rates are very high and essentially price most potential Chinese RV buyers out the market. U.S.-made RVs would be very competitive (compared with China-made RVs) if these duties and taxes are lowered.

Currently, motorhomes are subject to an import duty rate of 25 percent, a value-added tax of 17 percent, and a consumption tax (up to 40 percent). As a result, imported motorhomes in China can cost over 2.5 times more than the same units sold in the United States. (China does not have a separate tariff classification and duty rate for motorhomes, so they are treated the same as imported automobiles.)

Imported travel trailers can cost up to 1.5 times more as they are subject to an import duty of 15 percent and value-added tax of 17 percent. These costs do not include additional expenses for shipping and insurance. In comparison, travel trailers enter the United States duty-free, and motorhome imports receive a 2.5 percent duty rate.

Another challenge for U.S. exporters is that China has few dedicated standards and regulations for the manufacture and use of RVs. China's standards system has multiple levels (national, industry, provincial and city), and each level has mandatory and recommended standards. The few RV-related standards that exist either incorporate outdated ISO standards or reference automobile standards.

Among the regulatory challenges include registration and licensing requirements for RVs. China does not have a separate category for motorhomes. Passenger vehicles are categorized by the number of seats and vehicle exterior length. For most Class A and Class C motorhomes in China, a Class A or Class B driver's license is required, while the majority of drivers have a Class C driver's license. Licensing for travel trailers is inconsistent, as they are often treated as commercial vehicles depending on the length of the car and trailer.

Vehicle registration can be a challenge in China. Large cities like Beijing and Shanghai limit registrations via a lottery system. While smaller second and third tier cities do not limit registrations, this can still be difficult because registration officials in those cities often are unfamiliar with RVs.

Another challenge is highway toll fees. For motorhomes, fees vary according to the size of the vehicle. For travel trailers, even though China's road safety law allows the towing of trailers weighing up to 750 kilograms, most toll station personnel are not familiar with the law, and thus do not allow travel trailers to enter highways. At present, travel trailers are primarily being used in China for destination camping in campgrounds. They are delivered to a campground and rented out for use by campground visitors, remaining there permanently.[xxi]

Testing and certification requirements for the China Compulsory Certification (CCC) mark also have been a challenge for U.S. manufacturers. The certification process is very expensive and it was developed for cars and trucks without taking into account the unique nature of RVs. Less costly CCC procedures for domestic manufacturers compared to foreign manufacturers have put U.S. producers at a competitive disadvantage.

Another concern is growing competition from other major global RV manufacturers. As the economies of some leading RV producing countries have slowed, domestic demand for RVs in these markets has declined. Major RV producers in some of these countries are actively seeking opportunities in China, including involvement in the country's development of campground and RV standards. Adoption of international standards for RVs and campgrounds in China would pose additional challenges, as these generally are not compatible with U.S. RVs.

The rising of Chinese RV manufacturers poses another challenge. Although Chinese manufacturers entered into the RV market within the last five to ten years, they are advancing quickly and, due to their low cost and understanding of the market, have begun competing for market share among China's early adopters. Competitive pricing and nationwide aftersales services are the two major factors that drive domestic industry growth.

Motorcycles

China has adopted some of the world's most onerous motorcycle restrictions to combat pollution and crowding in its cities. Over 100 cities in China have restrictions on motorcycles. In some areas it is just long-term moratorium on new motorcycle regulations. In other cases, they have implemented motorcycle usage bans within specific geographic areas. While some of the reasons for owning large motorcycles are to enjoy the open countryside, most of consumers who can afford these motorcycles live in these major urban centers. Although these regulations are not federal rules; they were adopted locally following recommendations from policy makers in Beijing.

The U.S. manufacturers, such as Harley-Davidson, Victory, Orange County Choppers, Brammo, and Zero, produce motorcycles are primarily used for long distance touring, leisure, and law enforcement. They are engineered to meet or exceed the highest safety and environmental standards. These bikes also serve as a partial solution to overcrowding roads as more consumers will have the choice of space-taking automobiles or these well powered heavyweight motorcycles. However, due to their different uses and design, heavyweight motorcycles present different safety concerns for traffic administrators.

An additional challenge is that Chinese consumers are choosing small electric cars over small motorcycles. However, that trend may help U.S. manufacturers of electric motorcycles like Brammo and Zero.

Recreational Marine

The biggest challenge for the Chinese boating market will be to increase the number of marinas and overall boat berths and slips. Without more places to put new boats, sales will remain stagnant. In conversations with the Chinese boating industry officials, there was a belief that the European and U.S. industries were dominated by manufacturers of large yachts. This perception of boats being only for the rich could be limiting the demand for small and mid-size boats. These mid-sized boats are the driver of the U.S. industry.

Another factor limiting demand for recreational marine products is an owner tax. The tax is accessed on the length of the boat. A boat above 30 meters is accessed a tax around $275 per meter which at a minimum would be $8,250. A boat under 10 meters is accessed a tax of $80 per meter or as much as $800.

A final challenge facing the sale of boats in China is the lack of adequate and transparent regulations. Current standards are outdated and weak compared to the major boat markets standards in the United States and the European Union. In addition there can be different interpretations of the standards at different ports so many importers have difficulty knowing what the particular standard is.

Opportunities for U.S. Companies

RVs

ITA believes there is great potential for U.S. companies in China. A rapidly growing economy, burgeoning middle class with discretionary income, rising consumer interest in RVs and RV camping, and a national focus on RV and campground development, all contribute to making China a key target market for U.S. RV exports.

As noted, the biggest obstacle for U.S. exports is China's high duty/tax rates for RVs. A crucial way to help U.S. companies is to work with RVIA and Chinese officials to reduce these. Lower duty/tax rates would not only help U.S. exporters, but they would also allow Chinese consumers greater access to a variety of high quality RVs. Increased competition may also improve the quality of domestically-produced RVs, further enhancing efforts to develop the RV industry and campgrounds. Moreover, eliminating the high duty/tax rates would not only stimulate growth in the industry, but also would remove the biggest impediment for U.S. exports.

Another key way to increase opportunities for U.S. exports is for industry and ITA to continue support of RVIA's programs and initiatives in China under the association's 2012-2015 MCDP award. Under the award, RVIA has worked closely and extensively with Chinese manufacturers, industry groups, and government agencies (at the national, provincial and city levels) on the development of motorhome, travel trailer and campground standards, and on RV-related regulatory issues.

On RV standards, RVIA is working closely with manufacturers and China's standards developing organizations. On campground standards, RVIA has been involved in the development of China's first national campground standard. At the provincial level, it has worked with the Beijing Auto Camping and Tourism Association (BACTA) in developing campground standards for Beijing.[xxii] Additional work is planned on campgrounds standards with a number of other provinces as well. RVIA's involvement in these standards development efforts should leverage additional opportunities for U.S. companies.

Though campgrounds are being developed at a rapid pace across China, most are in the early stages of development – and while many of these have some hook-ups for RVs, most are designed for non-RV visitors. This has created a need at many campgrounds for temporary living quarters, such as RVs, that can be rented out to campground visitors. U.S. companies are well-positioned to provide these as U.S.-made travel trailers and park models are viewed in China as being of high quality and well-suited as rental units. Also, because many new campground operators lack experience, this should create additional service opportunities for U.S. companies.

RVIA has also been involved in work to ease requirements for CCC compliance. Less costly and streamlined CCC procedures should create added opportunities for U.S. companies.

Efforts in China to ease existing regulatory requirements and restrictions on RVs (registration, licensing, toll fees, towing) are expected to follow the recent announcements by the State Council (in August and October 2014) to increase national efforts to develop the RV industry and campgrounds. ITA plans to continue working with U.S. industry to provide support for efforts to remove these obstacles, which would increase significantly the opportunities for U.S. companies.

ITA will collaborate with RVIA to educate consumers and government officials in China about the benefits of RVs, and the importance of creating a favorable regulatory environment for RVs. As RVs and campground development have gained increased national focus in China, trade promotion activities, such as outdoor lifestyle events, trade shows, and other events that enable the showcasing of RVs, will enable public officials and consumers to learn even more about U.S. RV products.

In addition, ITA hopes to bring Chinese buyers to RVIA's 53rd Annual National RV Trade Show, December 1-3, 2015, in Louisville, KY. The 2015 show is an IBP-Select event. (The 2014 show was also an IBP-Select event.)

China hosts two major RV trade shows -- the China Beijing International RV and Camping Exhibition (March) and All In Caravaning (AIC) (June). Beijing International RV and Camping Exhibition is hosted by the Beijing Tourism Development Commission, People's Government of Fangshan and the Beijing China RV & Camping Association. Exhibitors include manufacturers and suppliers from a range of motorized and towable RVs, parts and accessories, outdoor/camping products, and representatives from the campground and park industries.

AIC showcases a variety of products as well, including caravans and mobile homes, accessories, extension components, and campground equipment from manufacturers and suppliers worldwide. AIC is jointly organized by YASN International Co., Ltd. and Messe Dusseldorf (Shanghai) Co., Ltd. European manufacturers and suppliers have major presence at the show.

As part of this collaboration, ITA plans to work with U.S. industry to determine whether AIC or the Beijing International RV and Camping Exhibition would be suitable as a certified show under ITA's Trade Fair Certification program. If so, this would be another way to increase opportunities for U.S. companies in the China market.

Motorcycles

In 2012, China and American interested parties conducted a workshop in Beijing that addressed China's concerns over the current motorcycle situation, along with the anticipated problems which will result from the evolving motorcycle country-wide fleet in China. This workshop and future workshops can demonstrates how other economies, which have significant numbers of heavyweight motorcycles, have dealt with these safety issues to create a safe environment that improves safety while improving access.

The upcoming workshops will address all aspects of safety, including operator training programs, licensing, helmet laws, and road restrictions. In addition, with the adoption of Asian and global best practices, China's regulators and traffic administrators will have better motorcycle accident data in the future to further improve safety should the need arise.

Keeping this dialogue going will be an important strategy for U.S. export agencies (ITA, the Department of Transportation, and the San Francisco Police Department participated in the last workshop). Once Chinese officials realize that these motorcycles will not measurably impact air pollution and overcrowded city roads, progress can be made. The hope is that this dialogue will lead to city and municipal governments changing their existing policies and remove these bans to allow large motorcycles to be operated in their jurisdictions.

Recreational Marine

The transformation of China's boat market from an elite luxury yacht market to one driven by demand from middle class families will take time, although coordination between the U.S. Government, U.S. industry, Chinese tourism officials and boating marina developers continues to facilitate progress. The continued use of tools like the NMMA's Discover Boating program will help middle class consumers learn about the boating life, likely creating additional opportunities in the future.

If Chinese officials encouraged boating-related tourism, like they have with the RV and campground industry, ITA believes an important opportunity would be created. U.S. industry is encouraged to educate Chinese officials about major market standards, urging them to adopt boating standards along international norms.

Did You Know?

1. China ranks second to Canada as a destination market for U.S. RV exports
2. China has recently undertaken a national focus on the development of tourism, campgrounds and the RV industry
3. Campgrounds are being developed at a rapid pace across China, although most are in the early stages of development
4. The biggest challenge for U.S. RV exports is China's high duty/tax rates for imported RVs
5. China hosts two major RV trade shows -- the China Beijing International RV and Camping Exhibition (March) and All In Caravaning (AIC) (June)
6. Regarding the motorcycle market in China, Much of the country's growing middle class live in urban areas.
7. Currently, China lacks marinas and boat slips. As a result, only the wealthy have access to these facilities for the most part.

Japan - *RVs*

RVs and RV camping are becoming increasingly popular in Japan. ITA plans to work closely with industry to address the U.N. ECE brake requirement and other regulatory challenges, and assist Japan with its post-disaster recovery efforts (by providing U.S.-made RVs), including the development of campgrounds to improve local tourism and provide temporary living quarters in the event of a natural disaster to leverage increased opportunities for U.S. exports.

Marine	RVs	Overall Ranking
8	10	5
Motorcycles	**Miscellaneous**	
3	N/A	

The RV market in Japan is in the early stages of development. Japan produced its first RV in 1958, a three-wheel unit exported to Europe and the United States. Japan's first imported RV, from Germany, arrived in 1962.[xxiii]

Today, there are two major manufacturers of RVs in Japan. Production comprises mainly of small motorhomes (90 percent), some of which may also be classified as SUVs. Between 4,000 and 4,500 RV units are sold annually in Japan. In 2014, the accumulated total number of registered RVs nationwide was about 80,000 units.

Japan has relatively few campgrounds. Currently, there are about 300 developed RV campgrounds across the country. Another 800 or more campgrounds are underdeveloped.

The demographics of the RV industry in Japan are similar to those of the United States, with the majority of RV owners in their 40s. The most popular RV models cost between four and five million yen ($33,600 and $42,000), with more expensive models growing in popularity.[xxiv] RV camping is becoming increasingly popular among elderly Japanese, which may contribute to increased demand for more expensive models.

In additional to their recreational use, RVs have also been used for commercial purposes in Japan. Since the devastating tsunami and earthquake in 2011, U.S. manufacturers have shipped RV travel trailers and park models to serve as temporary shelter and for other post-disaster assistance purposes.

Several leading trade associations represent the RV industry and camping in Japan. These include the Japan RV Association, Japan Trailer House Association, Japan RV Importers Association, and Japan Auto Camping Federation.

In 2014, U.S. RV exports to Japan totaled $3.6 million. Over 73 percent of total exports comprised of towable RVs (travel trailers). ITA expects U.S. RV exports to Japan to increase to $4.1 million in 2017, with a CAGR of 4 percent.

Challenges and Barriers to RV Exports

U.S. RV exporters face several challenges in Japan. Among these include a low number of developed campgrounds in the country. Development of additional campgrounds capable of accommodating RVs and RV camping is needed to generate increased demand for RVs among consumers and opportunities for sales by U.S. exporters.

Also, Japan does not have dedicated regulations for RVs. Instead, RVs are subject to a number of motor vehicle and other regulations that do not take into account the uniqueness of RVs. Large travel trailers and park model RVs, for example, are treated as housing rather than vehicles. Also, wide-body RVs are not allowed to be driven on the roads in Japan. In addition, a special driver's license is required to tow trailers weighing over 750 kilograms.

Additionally, restrictions placed on dealers of liquefied petroleum (LP) gas, or propane, discourage them from selling LP gas to RV owners. (LP gas is commonly used in RVs for cooking, hot water, heating and air conditioning systems, etc.) Eliminating burdensome requirements on RVs and developing regulations that are compatible with U.S. RVs would create more opportunities for U.S. exporters.

Another recent development, which threatens to overshadow the other challenges, is Japan's adoption (in 2013) of a U.N. Economic Commission for Europe (ECE) requirement (under Agreement 58) governing brake systems for buses, trucks, and trailers. Under the regulation (implemented in November 2014 for new vehicles and February 2015 for existing vehicles), air brakes with anti-locking braking systems (ABS) are required for trailers over 3.5 tonnes (7,716 pounds).

Because U.S. RV travel trailers are produced with electromagnetic brakes, they may not be compliant with the regulation. The estimated cost to install air brakes with ABS is between $2,000 and $2,500 per unit. This issue threatens not only U.S. RV exports to Japan, but also exports to other countries that adopt the measure.

Opportunities for U.S. Companies

As a result of Japan's adoption of the U.N. ECE brake regulation, opportunities in the near-term for many U.S. RV exporters may be limited. Because of the safety record of RVs, U.S. industry believes the regulation was aimed at commercial vehicles, rather than RV trailers.

ITA will continue its support of RVIA's programs and initiatives to assist Japan with its disaster recovery and preparedness efforts. Under RVIA's 2012-2015 MDCP award, the association has worked closely with ITA to promote RVs in Japan for disaster relief applications. The first purchases by Japan of U.S. travel trailers for this purpose occurred in 2013.

RVIA's initiatives in Japan also include working with local industry to possibly develop campgrounds at roadside stations near disaster areas to assist with Japan's disaster preparedness efforts. These campgrounds would have travel trailers onsite for campers and visitors for recreational use, which could be transported easily to a disaster site, if needed. ITA plans to continue working with industry to help RVIA further develop these initiatives, which should increase opportunities for U.S. exporters in the long-term.

In addition, ITA will continue working with RVIA to address the regulatory challenges on RVs in Japan that limit U.S. exports. Development of RV dedicated regulations and additional RV-capable campgrounds across the country would further increase opportunities for U.S. companies in Japan.

ITA also hopes to bring Japanese buyers to RVIA's 53rd Annual National RV Trade Show, December 1-3, 2015, in Louisville, KY (an IBP-Select event). The leading trade show in Japan for RVs is the Japan Camping Car Show (February). It features manufacturers, dealers, and suppliers from across the RV and camping industries.

Did You Know?

1. RVs and RV camping are becoming increasingly popular in Japan
2. U.S.-made RVs have been used to assist Japan's post-disaster recovery and disaster preparedness efforts
3. A U.N. ECE brake requirement threatens to limit U.S. travel trailer exports
4. The leading trade show in Japan for RVs is the Japan Camping Car Show (February)

Korea – *RVs*

Camping is highly popular in Korea. As the popularity of camping has grown, the number of campgrounds has soared. Today, there are an estimated 2,000 campgrounds across the country. Also, as national interest in campgrounds has grown, so has interest in caravanning and RV camping. As a result, the outlook for the RV market is very positive and it is expected to grow at a rapid rate. ITA collaborating with industry to address the regulatory challenges, promote U.S.-made RVs, and connect Korean buyers with U.S. manufactures to leverage increased opportunities for U.S. exports.

Marine	RVs	Overall Ranking
20	5	
Motorcycles	**Miscellaneous**	
23	N/A	22

Camping is highly popular in Korea, which is why this case study focuses on RV export opportunities. Each year more and more Koreans take to the roads in their cars or RVs to go camping. In 2014, the industry was worth an estimated $550 million, an eight-fold increase since 2008. Television shows about camping are increasingly popular as family travel turns more to nature. Today, an estimated 4 million Koreans go camping.

As the popularity of camping has grown, the number of campgrounds in Korea has soared. In 2008, the country had an estimated 200 campgrounds. Today, there are approximately 3,000 campgrounds across Korea. Of these, 900 have been developed for use by RVs. About 300 campgrounds are owned and managed by the government (federal and regional); the remaining campgrounds are privately owned.

The RV industry is relatively new in Korea. However, caravanning and RV camping are gaining popularity as an evolving form of traditional travel and tourism. The Korea Camping and Caravanning Federation (KCCF), an affiliate Korea representative of the Fédération Internationale de Camping, and Caravanning et de Autocaravaning (FICC) represent the growing interest among Koreans in the camping movement.

Korean industry classifies RVs as motor vehicles including caravans, camper vans, mini vans, sports utility vehicles (SUVs) and motorhomes. Korea has seven RV manufacturers which produce about 1,000 and 1,500 caravans annually. There are no dedicated standards for RVs in Korea.

Korea currently imports a total of about 2,000 units of RVs per year. Approximately 1,000 are imported from Germany and England. Imports of RVs are expected to increase considerably as consumer interest in these products and RV camping grows. Imports of travel trailers enter Korea duty-free. Motorhome imports currently are subject to a 4 percent rate of duty; and in 2016 they will enter duty-free.

In 2014, U.S. RV exports to Korea were $8.7 million. Towable RVs accounted for over 96 percent of this total. ITA expects U.S. RV exports to Korea to increase to $14.7 million in 2017, with a CAGR of 19 percent from 2014 to 2017.

Challenges and Barriers to RV Exports

U.S. RV exporters face several challenges in Korea. First, Korea does not have dedicated regulations for RVs. Because RVs are classified as motor vehicles, motorhomes are subject to the same emissions requirements as passenger cars. The requirements are too high for motorhomes, limiting imports into Korea of these products. Creating a separate requirement for motorhomes that is similar to trucks, and compatible with U.S. RVs, would create increased opportunities for exporters in the market.

Second, Korea requires a special driver's license for certain towable RVs. Under Korean law, a special driver's license is required to tow trailers weighing over 750 kilograms. Elimination of this requirement would facilitate increased sales of towable RVs in Korea. (Most Korean men have a Type 1 driver's license, which qualifies them for driving motorized

RVs.) Also, travel trailers in Korea are required to be equipped with a parking brake. U.S. travel trailers do not have this requirement.

In addition, Korea has restrictive limitations on the use of liquefied petroleum (LP) gas, or propane. (LP gas is commonly used in RVs for cooking, hot water, heating and air conditioning systems, etc.) U.S. fire safety requirements for RVs have specific conditions for LP gas usage, which provide for its safe use.

Opportunities for U.S. Companies

With camping established in Korea as a preferred choice of family travel and getting back to nature, the outlook for the RV market is very positive and it is expected to continue growing at a rapid rate. Korea's large number of campgrounds, rising consumer interest in RVs and RV camping, and its status as an FTA partner with the United States, make it a favorable market for U.S. RV exporters.

ITA is working with industry to address the regulatory challenges in Korea and promote RVs and the RV lifestyle, which should benefit U.S. exporters in the near and long-term. Currently, RVIA is working with ITA under the association's 2012-2015 MDCP award on programs and initiatives in Korea to grow U.S. exports. Continued support of RVIA's efforts will increase opportunities for U.S. exporters.

ITA will continue to collaborate with RVIA and Korean authorities to develop emissions and other requirements that are compatible with U.S.-made RVs -- and to address other regulatory issues in Korea, such as the driver's licensing and parking brake requirements for travel trailers which limit U.S. exports. In addition, ITA plans to work with industry to promote U.S RVs and to educate Korean consumers and government officials about these products and the benefits of RVing.

ITA staff plans to work with RVIA to develop a government-to-government workshop on emissions requirements for RVs and a U.S. Pavilion to bring private sector entities to promote American RVs to Korean camping enthusiasts. Both the workshop and U.S. Pavilion are planned for early August 2015 during the 83rd Annual International Camping Rally, a global event for camping and motorhome enthusiasts.

In addition, ITA hopes to bring Korean buyers to RVIA's 53rd Annual National RV Trade Show, December 1-3, 2015, in Louisville, KY. The 2015 show is an IBP-Select event. (The 2014 show was also an IBP-Select event.)

Also, U.S. Government services, such as those provided by ITA's U.S. Foreign and Commercial Service (USFCS), like the Gold Key and Platinum services and International Company Profile service could be of additional help to U.S. exporters ITA encourages U.S. companies to utilize these resources to leverage additional opportunities for U.S. exports.

While Korea does not have any dedicated RV trade shows, several motor and outdoor camping shows allocate special areas for RV displays due to the growing interest in RVs and camping among Korean consumers. These include the Seoul Motor Show (April), Automotive Week (September) International Camping Fair (February), and the Korea Travel Expo (February).

Did You Know?

1. Camping in highly popular in Korea
2. Korea has an estimated 2,000 campgrounds across the country
3. Because RVs are classified as motor vehicles in Korea they are subject to the same emissions requirements as passenger cars, which are too high for motorhomes
4. Though Korea does not have any dedicated RV trade shows, several motor and outdoor camping shows allocate special areas for RV displays -- the Seoul Motor Show (April), Automotive Week (September) International Camping Fair (February), and the Korea Travel Expo (February)

Mexico – *Recreational Marine*

Mexico offers tremendous potential to become a leading market for recreational marine exports, which is the focus of this case study. It is already the second largest destination for U.S. exports of these products. U.S. exports to Mexico are forecast to grow 15 percent annually between 2014 and 2017 and total $272 million. However, the current market situation limits the market as a few major distributors control market access and sales opportunities.

Marine	RVs	Overall Ranking
2	2	4
Motorcycles	**Miscellaneous**	
7	3	

With miles of coast line and a temperate climate, the Mexican boating market has huge potential. However, the driving factor for boat ownership is personal disposable income. If the Mexican economy can develop and the number of middle class families grows, the Mexican boating market may eventually rival the Canadian market. The GDP Per Capita PPP (purchasing power parity) is $16,300 in 2014, ranking tops in Latin America.

Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods which ranks fourth globally. As a result, Mexican boat owners favor vessels over 35 feet. However, this is not the type of demand that creates long term growth. Typically, boats between 17-35 feet are the kind that most middle-class families seek. Middle class families are what sustain demand in the United States and other developed markets. For example, children of boating families are more likely to purchase a boat when they get older and have families of their own.

According to the Mexico's Secretary of Infrastructure and Transport, there are 167,805 registered boats in the country and 26 percent of those are for leisure and sport activities. In addition there are 12 federal marinas and approximately 28 private marinas. This is one area where Mexico lags behind some of the other Latin American markets. Furthermore, many of the marinas need to offer more and better services.

Challenges and Barriers to Recreational Marine Exports in Mexico

There are many challenges in the Mexican market but few formal policy-related barriers. Under NAFTA, there are no tariffs on boating imports from the United States. Safety and emission standards in Mexico are not on par with American standards and have not been a deterrent for U.S. manufacturers.

The challenges are the previously mentioned lack of infrastructure and the lack of middle class demand for boating products. Additional challenges are inadequate distribution channels. Currently, only a handful of distributers control the market, so it is difficult to break into the Mexican market as these distributors may not want to compete against themselves and their biggest brands. More distributors would lead to more competition and lower prices. The lack of distributors has also made it difficult for sustained growth for boat shows, a key marketing tool used to enter the market.

The final challenge, which will be hard for the industry to address, is the issue of personal and property security. Many potential boat owners fear their boat may be stolen if not housed in a secured marina or dry-stack facility. This is particularly true around inland waterways and lakes.

Opportunities for U.S. Companies

The United States is the largest supplier of boats to Mexico. U.S. exports of recreational marine products to Mexico totaled $179 million in 2014 and are expected to grow at a compound annual rate of 12 percent to 2017, reaching $272 million. This is largely due to the lack of domestic competition, which has limited investment in the sector.

This is an area were American marina suppliers and the recreational marine service industry could potentially help foster investment. As boating infrastructure grows, so too will demand for boats, likely creating opportunities for American suppliers. ITA expects boats under 35 feet to become increasingly popular in the years ahead.

Optimizing U.S. Leverage

U.S. industry and export promotion agencies will continue to work together to grow the Mexican boating market. The NMMA is planning a fact finding mission to determine the best strategies to grow the market. This trip will be assisted by ITA staff in Mexico. The U.S industry's involvement will be essential to grow the market beyond a market for the "nouveaux riche."

For the development of infrastructure, U.S. interests, private and federal, should demonstrate the role marina developers could play in increasing the Mexican boating market. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. These videos should be translated into Spanish for the entire Latin American market and disseminated by industry and trade specialist whenever possible.

During the 2015 Miami International Boat Show there was a significant buyer delegation from Mexico that will potentially open new avenues for expansion for U.S. companies, as these buyers met with many U.S. manufacturers.

A long term goal may be for the U.S. industry to support a particular Mexican trade show on a continuing basis, a show that supports the participation of smaller U.S. manufacturers to find new distributors. Currently, there are three major Mexican boat shows in Acapulco, Los Cabos, and Cancun.

Did You Know?

1. The GDP Per Capita PPP (purchasing power parity) is $16,300 in 2014, ranking tops in Latin America.
2. Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods which ranks fourth globally.
3. If the infrastructure (marinas and boat slips) for boats develops and grows significantly, Mexico might one day rival our export market Canada.
4. Participating in Mexican boat shows and seeking Mexican buyers and distributors at U.S. boat shows are the best ways to introduce your products to the market.

Appendix 1: Methodology

Accurately assessing the recreational transportation trade is difficult and results are often inexact. Coupling projections of future trade with future economic developments – either by product or country – given the sector's reliance on overseas consumer confidence and personal disposable income growth is often even more problematic. ITA has sought to be clear about the assumption made in its analysis and welcomes commentary on ways to improve the *Top Markets Report.*

Understanding the nature of the Recreational Transportation growth patterns is quite different from most other products. In many cases, consumers want these products but have three major hurdles:

1. Can they afford them at this time? They must believe they are securely employed and in control of living essentials like housing, food, and utilities. Do they have income leftover after the essentials are secured?
2. Do they believe they can afford them in the future? Recreational transportation products are expensive and often require financing.   Interest rates can pay a key part in a consumer's decision to buy a recreational product particularly for the middle class buyers. These consumers must feel confident in future economic growth.
3. What are the costs for alternative recreation options? When air fares and hotel costs are low, consumers could chose to vacation and recreate using these options instead of using a boat or RV.

As a result of these factors industry growth tends to be robust during economic growth due to pent up demand during lean years. In addition, recreational transportation sales can signal future weakness in the economy as consumers are anxious to take on new debt. Finally, declines are also likely to be larger and more impactful on the industry.

To project the size of each country's potential export market for U.S. companies, ITA looked at past growth (2009-2014) and the projected growth of each country's GDP. Additional information on industry expectations and priorities, market size, and other economic conditions were incorporation when available. ITA analysts also look at: opportunity statistics like infrastructure development and climates.

1. How much access is there to waterways, oceans, and highways?
2. How many marinas and campgrounds are currently open and are projected to be operating in the next several years? Are there sufficient golf courses to sell golf cars into?
3. Are climates and terrain acceptable to support a boating, RV, or Motorcycle lifestyle. Is the weather suitable for snowmobiles or ATVs?

All these economic factors and opportunity statistics were analyzed and factored into the growth for a particular market and industry sector.

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Appendix 2: Citations

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[xxi]RVIA.
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